

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Notice of Market Dominant  
Price Adjustment

Docket No. R2017-1

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued October 27, 2016)

To further clarify the Postal Service's Notice of Market Dominant Rate Adjustment in Docket No. R2017-1,<sup>1</sup> the Postal Service is requested to provide written responses or additional filings, when appropriate, to the following questions. Responses should be provided to individual questions as soon as they are developed, but no later than October 31, 2016.

**Periodicals**

1. Please refer to Chairman's Information Request No. 4, October 21, 2016, question 1.
  - a. Please confirm that when the ACR2015 Model avoided costs are compared to the proposed prices in this docket, the passthrough for Non-machinable Automation 3-Digit/SCF Flats is set at 231.6 percent and the passthrough for Non-machinable Automation 5-Digit Flats is set at 168.3 percent. If confirmed, please provide a justification for these passthroughs. See 39 U.S.C. § 3622(e)(2).
  - b. If not confirmed, please explain.

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<sup>1</sup> United States Postal Service Notice of Market Dominant Price Adjustment, October 12, 2016 (Notice).

### **Changes to the Mail Classification Schedule (MCS)**

2. This question concerns the Postal Service's proposed addition to the terms and conditions of "Postage and Fee Payment." Notice, Attachment A at 131.
  - a. Please describe the reason(s) for the proposed addition.
  - b. In what situations would the postage due be unable to be determined?
  - c. Over what period would the average of postage previously paid be calculated?
  - d. How would postage price increases, if applicable, factor into the calculation of the average of postage previously paid?

### **Special Services**

3. In its Notice, the Postal Service notes a correction to the MCS, which reflects "that Merchandise Return Service [MRS] is available for only First-Class Package Service, Priority Mail, and Parcel Select Ground as of May 31, 2015." Notice at 58.
  - a. Please confirm that the Postal Service's notice and proposed MCS changes in Docket No. R2015-4 and the Commission's subsequent order in that docket, Order No. 2388,<sup>2</sup> did not address the removal of MRS as an option for First-Class Mail Parcels. If not confirmed, please explain.

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<sup>2</sup> See Docket No. R2015-4, United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Docket No. R2015-4 Notice). See *also* Docket No. R2015-4, Order on Price Adjustments for Special Services Products and Related Mail Classification Changes, March 10, 2015 (Order No. 2388).

- b. Please confirm that if the Postal Service's proposed MCS changes in this docket are implemented, this service will no longer be available for any market dominant product. If not confirmed, please explain.
  - c. Please identify the number of hybrid year MRS permits that were used to mail only market dominant products.
  - d. Please revise the MRS workpapers to reflect that the service will no longer be available as an Ancillary Service for any market dominant product.
- 4. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx" and refer to the Excel files submitted by the Postal Service in Notice of the United States Postal Service of Filing of Revised Version of USPS-LR-R2017-1/5 – Errata, October 17, 2016, titled "CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx," "4Q15 to 3Q16 Special Services.xlsx," "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx." The Excel file "Special Serv. CHIR Attachment.xlsx" contains calculations for Special Services and seeks clarification of cells identified below.
  - a. For the following products, the price calculated by dividing quarterly revenue by quarterly transaction volume does not match the prices established in Docket No. R2015-4. See Docket No. R2015-4 Notice, MCS Attachment A, Parts I and II. Please explain why the revenues and transactions for these products do not match the published prices.<sup>3</sup>
    - i. Tab F-1 "Certified Mail," row 10 "With Restricted Delivery and/or Adult Signature" in Excel file "1Q16 Special Services.xlsx."

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<sup>3</sup> The questions that follow reference the Excel files submitted by the Postal Service. Attached to this CHIR is the Excel file "Special Serv. CHIR Attachment.xlsx." In tab "Prices Out of Range," the questions for this subpart are visually represented.

- ii. Tab F-5 "Money Orders," row 16 "Inquiry Fee" in Excel files "2Q16 Special Services.xlsx" and "3Q16 Special Services.xlsx."
- iii. Tab F-6 "Registered Mail," rows 42 and 53 "Registered COD" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- iv. Tab F-9 "Stamped Envelopes," row 9 "Plain Stamped Envelopes Size 6  $\frac{3}{4}$ " in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- v. Tab F-9 "Stamped Envelopes," row 10 "Plain Stamped Envelopes Size 10" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- vi. Tab F-9 "Stamped Envelopes," row 12 "Plain Stamped Envelopes Size 6  $\frac{3}{4}$ , Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- vii. Tab F-9 "Stamped Envelopes," row 13 "Plain Stamped Envelopes Size 10, Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- viii. Tab F-9 "Stamped Envelopes," row 37 "Pressure Sensitive Adhesive, 500" plus row 42 "Pressure Sensitive Adhesive, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- ix. Tab F-9 "Stamped Envelopes," row 38 "Windows, 500" plus row 48 "Windows, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."

- x. Tab F-11 "USPS Tracking," row 11 "Standard Mail Electronic" in Excel file "4Q16 Special Services.xlsx" and row 8 in Excel file "1Q16 Special Services.xlsx."
- xi. Tab F-12 "Signature Confirmation," row 8 "Manual/Retail" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xii. Tab G-3 "Certificates of Mailing," row 42 "Bulk" in Excel files "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xiii. Tab H-8 "Customized Postage," row 8 "Annual Participation Fee (up to two printing facilities)" in Excel files "4Q15 Special Services.xlsx" and "2Q16 Special Services.xlsx."
- xiv. Tab K-1 "Address Management Service," row 23 "Address Element Correction (AEC) II" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xv. Tab K-1 "Address Management Service," row 84 "Computerized Delivery Sequence (CDS)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xvi. Tab K-1 "Address Management Service," row 112 "CASS (coding Accuracy Support System After July 31<sup>st</sup> (for current cycle)" in Excel files "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xvii. Tab K-1 "Address Management Service," row 121 "MASS (Multiline Accuracy Support System) MASS Manufacturers (MLOCR) After

- July 31<sup>st</sup> (current cycle)” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” “2Q16 Special Services.xlsx,” and “3Q16 Special Services.xlsx.”
- xviii. Tab K-1 “Address Management Service,” row 125 “MASS (Multiline Accuracy Support System) MASS End-Users (MLOCR) After July 31<sup>st</sup> (current cycle)” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” “2Q16 Special Services.xlsx,” and “3Q16 Special Services.xlsx.”
- xix. Tab K-1 “Address Management Service,” row 129 “MASS (Multiline Accuracy Support System) MASS Manufacturers (Encoder) After July 31<sup>st</sup> (current cycle)” in Excel file ‘3Q16 Special Services.xlsx.’
- xx. Tab K-1 “Address Management Service,” row 133 “MASS (Multiline Accuracy Support System) MASS End-Users (Encoder) After July 31<sup>st</sup> (current cycle)” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” “2Q16 Special Services.xlsx,” and “3Q16 Special Services.xlsx.”
- xxi. Tab K-1 “Address Management Service,” row 166 “NCOALINK (National Change of Address) Product One Site Only” in Excel file “2Q16 Special Services.xlsx.”
- xxii. Tab K-1 “Address Management Service,” row 168 “NCOALINK (National Change of Address) Product Each Additional Site” in Excel file “3Q16 Special Services.xlsx.”
- xxiii. Tab K-1 “Address Management Service,” row 169 “NCOALINK (National Change of Address) Product ANKLink Service Option (per

- year) First Site” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” and “2Q16 Special Services.xlsx.”
- xxiv. Tab K-1 “Address Management Service,” row 170 “NCOALINK (National Change of Address) Product ANKLink Service Option (per year) Each Additional Site” in Excel file “1Q16 Special Services.xlsx,” and row 171 in Excel file “3Q16 Special Services.xlsx.”
  - xxv. Tab K-1 “Address Management Service,” row 173 “NCOALINK (National Change of Address) Product One Site (Each Site for MPE)” in Excel file “1Q16 Special Services.xlsx.”
  - xxvi. Tab K-1 “Address Management Service,” row 174 “NCOALINK (National Change of Address) Product Each Additional Site (End User Only)” in Excel file “1Q16 Special Services.xlsx.”
  - xxvii. Tab K-1 “Address Management Service,” row 182 “99 Percent Accuracy Method” in Excel file “2Q16 Special Services.xlsx.”
- b. Please explain why the format of price structure in the billing determinants does not match the format of the price structure in the MCS for each of the following offerings. If the billing determinants and the MCS contain different information, please explain.
- i. Collect on Delivery – Bulk
  - ii. Insurance – MRS
  - iii. Insurance – Bulk
  - iv. Registered Mail – Bulk

- v. Registered Mail – MRS
  - vi. Premium Stamped Cards
  - vii. Stamp Fulfillment Services – International
  - viii. Standard Mail Weighted Fee
  - ix. Change of Address Customer Notification
- c. Please either reconcile or provide an explanation for the difference in revenues expressed by the summation of the quarterly billing determinants and the "Price and Revenue Increase Calculations" in Excel file "CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx" for the following products below.
- i. Tab F-2 "Collect on Delivery" – cell C34 does not match cell J27.
  - ii. Tab F-3 "Insurance" – cell C74 does not match cell I69.
  - iii. Tab F-4 "PO Boxes" – cell J27 does not match cell N141.
  - iv. Tab F-6 "Registered Mail" – cell C55 does not match cell I46.
- d. Please refer to tab F-9 "Stamped Envelopes" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."<sup>4</sup>
- i. Please refer to the first three quarterly billing determinant files, containing FY 2015 quarter 4 and FY 2016 quarters 1-2. Please confirm that the volumes and revenues of Plain Stamped

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<sup>4</sup> Please also refer to tab "Stamped Envelopes Issue" in Excel file "Special Serv. CHIR Attachment.xlsx" for further visual aid.



Envelopes Size 6  $\frac{3}{4}$  and Size 10 (rows 9 and 10) and the volumes and revenues of Plain Stamped Envelopes Size 6  $\frac{3}{4}$ , Box of 500 and Size 10, Box of 500 (rows 12 and 13) are identical across all three quarters. If not confirmed, please explain.

- ii. Please confirm that the FY 2016 quarter 3 volumes in cells C9:C13 are identical to the volumes in FY 2015 quarter 4, FY 2016 quarter 1, and FY 2017 quarter 2. If not confirmed, please explain.
  - iii. If the previous two questions are confirmed, please explain why there are identical volumes and revenues in three or four consecutive quarters, respectively.
- e. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx," tab "NCOA Link Issue." Please confirm that the values from billing determinants tab "K-1 Address Management Services," "NCOALink (National Change of Address) Product," row 159 "Initial Interface Developer (first year fee)," and row 160 "Interface Developer (per each one year extension)" were transposed. If not confirmed, please explain.
- f. If the responses to parts a-e affect the price cap calculation, please file revised workpapers reflecting such changes.
5. Please explain how the proposed Collect on Delivery Hold for Pickup service, which requires that customers travel to a Post Office location to collect their mail, is equivalent to the existing Collect on Delivery service. If these services are not equivalent, please explain the difference in value provided between these services and how that difference is accounted for in the workpapers.
6. Please refer to the proposed footnote 1 to the permit price table for Business Reply Mail (MCS section 1505.3.2).

- a. Please confirm that this footnote eliminates permit fees for Qualified Business Reply Mail customers and retains permit fees only for customers who would otherwise require a permit for Regular or Bulk Weight Business Reply Mail.
  - b. Please explain the use of the term “parcel-shaped Business Reply Mail” in this context.
  - c. Please explain how these changes are accounted for in the provided workpapers and if applicable, provide revised workpapers.
- 7. Please refer to the proposed MCS changes to sections 1520 and 1550, regarding Caller Services and Post Office Box Service. Each of these sections contains proposed footnote 1 referencing the Enterprise PO Box Online system.
  - a. Please confirm that these changes are intended to allow system users to, on a one-time basis, prorate their payments to synchronize their payment schedules.
  - b. Please explain any reason(s) why this convenience is limited to users of the Enterprise PO Box Online System.
- 8. Please refer to the proposed MCS changes to section 1505.9.2, the prices for Insurance.
  - a. Please compare the Merchandise Coverage table with the revised Bulk Insurance provision and explain how the workpapers account for the differences between the existing Bulk Insurance table and the proposed Bulk Insurance provision, which applies a discounted rate to the Merchandise Coverage table.

- b. Please explain any impact attributed to the changes in the coverage breakpoints between the Bulk Insurance and Merchandise Coverage tables.
  - c. If applicable, please file revised workpapers.
- 9. Please refer to tab "K-1 Address Management Services" in Excel file "3Q16 Special Services.xlsx." Please identify the subproduct with transactions and revenues within "Official National Zone Charts" in row 142.

By the Acting Chairman.

Robert G. Taub